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Updates on Japanese Business and Economy

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** All positions in this newsletter are as of the date stated.*

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Highlight: Nippon Steel's Acquisition of U.S. Steel

Following the [decision](#) of then President Joe Biden that the proposed acquisition by Nippon Steel of U.S. Steel Corporation threatens to impair the national security of the U.S., Keidanren issued a comment on January 6, 2025.

Keidanren's Comments on President Biden's Decision on Nippon Steel's Acquisition of U.S. Steel

The acquisition of U.S. Steel by Nippon Steel Corporation has garnered significant interest among Japanese companies, especially those considering investing in the United States. We sincerely hope that the review procedure will be conducted with the utmost integrity and fairness in accordance with the law.

For the original comment, visit [here](#)

Past Publications

Keidanren's Comments on the Review Procedure of Nippon Steel's Acquisition of U.S. Steel published on September 6, 2024

For the original comment, visit [here](#)

Letter to the Honorable Janet Yellen, U.S. Secretary of the Treasury, published on September 11, 2024

For the original letter, visit [here](#)

FUTURE DESIGN 2040

On December 9, Keidanren released “FUTURE DESIGN 2040: A Virtuous Circle of Growth and Distribution Toward a Fair, Equitable, and Sustainable Society” (FD2040), which envisions the future society of Japan from the perspective of future generations. At a press conference held on the same day, Chairman Tokura stated, “FD2040 outlines the direction Japan's economy and society should take by around 2040 and the measures needed to realize it,” and stressed the importance of sustaining a virtuous cycle of growth and distribution.



**Chairman Tokura
at the press conference**

Future Design 2040 (excerpt / Provisional translation)

■ Overview

Looking ahead to the year 2040, Japan is confronted with the following two constraints: (1) a declining birthrate, aging society, and shrinking population, and (2) an island nation without natural resources. In addition, various global issues, such as the frequency and severity of natural disasters, the collapse of ecosystems, and the unstable international economic order, are also having a major impact on the future. The goal should be a fair, equitable, and sustainable society in which future generations can continue to have hope. To achieve this, Japan's economy and industry must become a “Science and Technology-Oriented Nation” and a “Trade and Investment-Oriented Nation” that makes solutions to problems the source of sustainable growth, and a nation that is trusted and chosen by the international community.

FD2040 proposes the measures necessary to build such a future state, as explained below. It should be noted, however, that the various issues and measures are intertwined in a “nested structure.” It is essential to proceed from the perspective of total optimization, rather than partial optimization in individual areas.

■ Macroeconomic management

Sustaining a “virtuous cycle of growth and distribution” is the basic premise for all measures. The government should make strategic investments based on medium- and long-term plans, then private-sector will expand investment under the increased predictability. Businesses will be required to maintain and strengthen momentum for aggressive domestic investment and wage increases. According to the macro-econometric model, in the “reform implementation case” in which the various reforms necessary for a “virtuous cycle of growth and distribution” are implemented, real and nominal GDP will continue to grow at around 2% and 3%, respectively, and nominal GDP will reach approximately ¥1,000 trillion in FY2040, while public finances will be on a sound path.

■ **Social Security System Oriented to All Generations**

The balance between taxes and social insurance premiums needs to be reviewed to create a fair, equitable, and sustainable system. This should include ensuring thorough implementation of ability-based burdens, and if insufficient to secure financial resources, raising the consumption tax, and increasing the corporate sector's share. A social security system should be established that is neutral to working style and age and promotes labor participation, utilizing the [My Number system](#).

■ **Environment and Energy**

Green Transformation (GX) should be strongly promoted to achieve both the realization of carbon neutrality and the realization of industrial competitiveness and economic growth. The utilization of nuclear energy, including nuclear power, is essential, and active investment in the development of next-generation innovative reactors and nuclear fusion is required. It is also necessary to materialize the growth-oriented carbon pricing concept and utilize [the Asian Zero Emission Community \(AZEC\)](#).

■ **Local Economy and Society**

In FD2040, the "Doshu Region Concept" was established as a framework that allows each virtual Doshu region –larger than a prefecture– to implement its own measures. It is also crucial to inspect and redevelop infrastructure to address the increasing frequency and severity of natural disasters.

■ **New Value Creation through innovation**

Society 5.0+ in which economic growth and the resolution of social issues are achieved sustainably through innovation cycles, is the goal. To achieve this goal, it is important for the public and private sectors to collaboratively invest in key areas such as AI, digital, GX, and entertainment content in a long-term planned manner, as well as to create deep tech startups.

■ **Education and Research**

To nurture global leaders, it is necessary to greatly expand governmental scholarship programs and actively promote long-term study abroad for high school and university students. The research capabilities of universities must be fundamentally strengthened by ensuring that researchers have access to sufficient funds and time with the purpose to realize a "Science and Technology-Oriented Nation."

■ **Workforce**

To enable a diverse workforce to support growth under a declining population, it is necessary to create an environment where human resources can move to the fields where they are needed while enhancing skills. As part of this effort, new working hour legislation is required that allows evaluation and compensation to be based on performance rather than working hours.

■ **Economic Diplomacy**

Even in an increasingly divided world, Japan should seek to maintain and strengthen a free and open international order based on the rule of law, develop international rules through proactive diplomacy, and strategically collaborate with the Global South. It is essential to strengthen comprehensive national power such as diplomatic, defense, economic and technological, and intelligence capabilities.

For the original article, visit [here](#) (Japanese only)

ABAC Report to APEC Economic Leaders



APEC Business Advisory Council

The [APEC Business Advisory Council](#) (ABAC), the only official private sector advisory body of Asia-Pacific Economic Cooperation (APEC), compiled its 2024 report to APEC leaders.

The current ABAC Japan members are Dr. Jun Suzuki (Senior Advisor, Teijin Limited), Mr. Hiroshi Nakaso (Chairman of the Institute, Daiwa Institute of Research Ltd.), Mr. Fumiya Kokubu (Chairman of the Board, Marubeni Corporation), Mr. Takashi Imamura (Executive Officer, Marubeni Corporation), and Mr. Toshihiko Sakaguchi (Mission Executive, Teijin Limited).

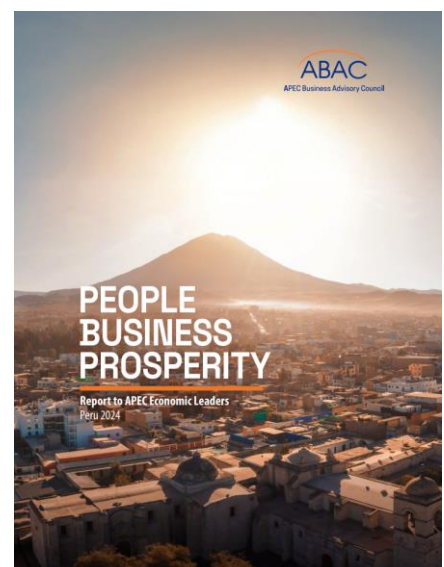
They presented the ABAC report to Foreign Minister [Takeshi Iwaya](#) and Economy, Trade and Industry Minister [Yoji Muto](#) on October 30, and to Prime Minister Shigeru Ishiba on November 5. Prime Minister Ishiba stated that he would take it into consideration and would attend the [APEC Leaders' Meeting](#) scheduled to be held in Peru in mid-November.

ABAC was proposed at the APEC Osaka meeting in 1995 as an organization for APEC leaders to hear directly from the business community and was established in 1996. As of November 2024, 60 ABAC members were appointed by the leaders of the APEC member economies and regions as representatives of the business community in their respective countries and regions.

The 24th ABAC meeting was chaired by Peru and organized under the overall theme of "People, Business, Prosperity." It set priorities for each of the three working groups: 'Regional Economic Integration,' 'Human Development,' and 'Sustainability'; and the two task forces: 'Digital Innovation' and 'Finance and Investment,' and compiled recommendations through four plenary sessions.



ABAC Japanese members presenting the report to Prime Minister Ishiba



– People, Business, Prosperity – Report to APEC Economic Leaders (excerpt)

■ Regional Economic Integration

- Building the Free Trade Area of the Asia-Pacific (FTAAP)
- Championing a strong and relevant World Trade Organization (WTO)
- Supporting open, stable and resilient supply chains
- Accelerating the adoption of paperless trade

■ Human Development

- Building a digital trust enabled workforce
- Ensuring women's access to the green economy

■ Sustainable Development

- Securing food sustainability and advancing responsible natural resource management
- Fostering circular economy practices and effective waste management
- Promoting just, ambitious, and realistic energy transitions
- Promoting convergence of sustainability disclosure requirements
- Establishing a Greener Trade Framework
- Advancing sustainable growth for the electric vehicle supply chain

■ Digital Innovation

- Supporting good governance of artificial intelligence through trade rules
- Facilitating data sharing in digital health
- Empowering the health workforce with artificial intelligence (AI)
- Addressing the implications of artificial intelligence (AI) for workers and skills development

■ Finance and Investment

- Promoting women entrepreneurs' access to venture capital financing
- Advancing coherent digital trade and a New Services Agenda
- Building interoperable deep-tier digital supply chain finance platforms
- Creating an enabling investment environment through investment facilitation
- Improving the [APEC Business Travel Card \(ABTC\) scheme](#) to facilitate business and investment
- Modernizing tax systems in the era of the digital economy
- Mobilizing pension funds for growth
- Transitioning to the formal economy, including through digitalization and access to finance
- Promoting interoperable voluntary carbon markets
- Enhancing natural disaster risk preparedness in the Asia-Pacific region

For the original ABAC report, visit [here](#)

For the Keidanren's article, visit [here](#) (Japanese only)

Memorandum The 9th Joint Meeting of The Ministry of Economy of Ukraine and Keidanren

1. **On** 16th December 2024, the Ministry of Economy of Ukraine (hereinafter "Ministry of Economy of Ukraine") and Japan Business Federation (hereinafter "Keidanren") co-organised the 9th Joint Meeting (hereinafter "the Joint Meeting") in Tokyo with the participation of Ukrainian and Japanese attendees.
2. In the Joint Meeting, which was held for the first time in five years since December 2019 in Tokyo, the importance of public-private support from Japan for the reconstruction of Ukraine, which has suffered enormous damage due to Russian aggression, was re-emphasized, while Keidanren welcomed the structural reforms being undertaken by Ukraine.
3. During the Joint Meeting, the updates on the status of structural reforms and developments of business environment that Ukraine is advancing toward EU membership were presented. Japanese companies showcased initiatives contributing to Ukraine's emergency needs and sustainable growth. Both Parties exchanged views on measures to accelerate these initiatives.
4. Keidanren emphasized the importance of factors such as access to financing, mitigation of wartime business risks (including insurance), stable labor force supply, securing of business partners, and review of travel restrictions, in promoting private sector participation in Ukraine's reconstruction projects.
5. Based on the discussions at the Joint Meeting, the Ministry of Economy of Ukraine and Keidanren will encourage continued efforts by relevant organizations of both countries to address the challenges faced by Japanese companies.
6. Recognizing the significance of maintaining constructive high-level business dialogue, the Ministry of Economy of Ukraine and Keidanren agreed to hold the 10th Joint Meeting at a time convenient for both Parties.
7. This Memorandum was composed and signed in two originals in English on 16th December 2024.
*Chair, First Deputy Prime Minister of Ukraine,
Minister of Economy of Ukraine, Yuliia SVYRYDENKO
Chair, Committee on Ukraine KEIDANREN,
Fumiya KOKUBU*



Minister Svyrydenko and Chairman Kokubu

For the original memorandum, visit [here](#).
You can find related articles on the website of
[METI](#) and [Ministry of Economy of Ukraine](#).

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Dialogue with the U.S.

Meeting with Idaho Governor Brad Little

November 8, 2024

Keidanren's Committee on U.S. Affairs held a meeting in Tokyo, where Kentucky Governor Andy Beshear shared insights on the state's business environment and the status of its thriving industries, including energy, agriculture, and semiconductors. Key points of the presentation include:

■ Improvement of the business environment, such as simplification of licensing procedures

Idaho is one of the fastest-growing states in the U.S., thanks to its traditional strength in agriculture and the recent development of its technology industry. This growth is largely due to Idaho being known as one of the least regulated states in the nation. Since the beginning of my tenure as governor, I have focused on improving the business environment for companies operating in the state, including simplifying the permitting process, and fostering a business climate conducive to both domestic and foreign companies. Furthermore, the state is highly regarded for its livability, ranking fifth among the 50 U.S. states. This attractive environment has drawn an increasing number of out-of-state residents and companies to Idaho. I look forward to more Japanese companies moving into the region.

■ Sustainable Energy Supply

Idaho is also working toward a sustainable energy supply. In addition to its longstanding strength in hydroelectric power generation, the state is promoting the renewable energy industry, including solar and wind power. [The Idaho National Laboratory](#) is conducting research on the development of small modular reactors and safe methods of spent fuel disposal. I hope to foster growth of a nuclear power industry that ensures safety.

■ Abundant agricultural resources and development of related industries

The state boasts abundant agricultural resources, making it the top producer of potatoes in the U.S. In addition, it exports a wide variety of fruits, including apples, cherries, and peaches, and excels in grain production. High-quality grain grown in the northern part of the state is exported from Lewiston to various countries via Portland. Furthermore, the livestock and food processing industries are thriving, with much of the beef exported to Asia being processed at [AgriBeef's](#) in-state facilities.

■ Further Growth of the Semiconductor Industry

[Micron Technology](#), a major semiconductor company, is based in Idaho. The company is making a major investment of \$15-20 billion in the state capital, Boise, to build a new semiconductor memory manufacturing plant. To ensure the success of this investment, significant capital and expertise are required, and the company is eager to collaborate with Japanese firms. I look forward to contributing to the growth of the globally important semiconductor industry by promoting the global adoption of semiconductors that utilize the latest innovations.



For the original article, visit [here](#) (Japanese only)

Discussion on Deep-Tech Startup Support with University of California, Berkeley

December 2, 2024

Keidanren compiled “[Science to Startup](#),” a set of recommendations aimed at fostering the growth and expansion of deep-tech startups, in September 2024. [Berkeley SkyDeck](#), an accelerator originated from the University of California, Berkeley, is one of the world's leading organizations in the field of deep-tech. SkyDeck signed an MOU with the [Japan External Trade Organization \(JETRO\)](#) in 2023 and jointly launched a startup support program, as well as working to discover startups based on research from Japanese universities, including the University of Tokyo.

Against this background, Keidanren held a meeting in Tokyo with SkyDeck’s Executive Director, Caroline Winnett, General Manager, Sibyl Chen, and Yotetsu Hayashi, the Chief Executive Director of JETRO San Francisco. Key points of the discussion include:

■ Silicon Valley Update

The Bay Area, including Silicon Valley, has a higher percentage of Asian population than the U.S. as a whole, with a notable increase in the number of Indian residents, largely due to the concentration of tech companies in the region. However, work attendance rates have been declining, partly due to deteriorating public safety from the hollowing out of the industry and the ongoing shift in work styles following the pandemic.

Despite these challenges, the region remains one of the world’s top entrepreneurial hubs, with a strong concentration of talent and investors. The number of Japanese companies moving into the area is also growing rapidly. While the overall number of employees is rising, layoffs have also increased. However, the situation is not entirely negative, as many individuals are using their severance pay to launch their own businesses or join startups led by their peers.

■ Startup Support by SkyDeck

Silicon Valley is known for its robust infrastructure supporting startups, including a pool of talent from universities, as well as a network of

investors, lawyers, and surrounding companies. The universities foster a culture focused on solving global challenges. The presence of world-class research institutions such as UC Berkeley, Stanford, and the Lawrence Berkeley National Laboratory has played a key role in the high number of startups that have emerged in the region.

SkyDeck’s program has helped launch numerous unicorn companies, including Tesla. While competition is fierce—only about 1% of the more than 2,000 applications are selected—some Japanese startups have also made the cut. The program offers access to a vast network of UC Berkeley faculty, alumni, startups, advisors, and partner companies, along with connections to UC Berkeley’s sister campuses.

■ Expectations for Japanese companies

SkyDeck also collaborates with companies from around the world. By leveraging SkyDeck’s network, partner companies can discover startups, conduct proof-of-concept experiments, and explore deep-tech areas where they need to expand their business. Additionally, SkyDeck supports companies in developing their own acceleration programs. The Japanese government is focusing intently on nurturing startups, and SkyDeck is closely monitoring this initiative. Japan boasts excellent universities, human resources, and research in the deep-tech field, therefore SkyDeck aims to further strengthen such collaboration.



From left side, Ms. Chen, Ms. Winnett, and Mr. Hayashi

For the original article, visit [here](#) (Japanese only)

Expert Analysis

Keidanren held meetings in Tokyo shortly after the U.S. presidential election to exchange views with experts from Washington, DC.

Kenneth R. Weinstein, Senior Advisor, Brunswick Group
November 19, 2024

■ Trump's Victory and Historic Comeback

Trump overcame numerous obstacles, including impeachment trials and criminal prosecution, to win a historic victory. His strategic outreach to Democratic groups, previously overlooked by the Republican Party, was successful, especially with voter groups like the Amish, Hispanic men, and African American men.

■ Domestic Issues and Foreign Policy

Trump focused on managing the southern border and tackling inflation as key priorities. He highlighted the issue of border control, citing the [10 million immigrants](#) who attempted to enter the country illegally under the Biden administration, as well as inflation, a 20% rise in prices. With the Republican Party's "triple red" status, Trump can pursue his policies more easily, but a narrow majority in the House and Senate may present challenges in approving cabinet appointments and passing important legislation.

On the foreign policy, Trump clarified his stance for the Middle East and expressed to pursue a swift resolution to the war in Ukraine, though achieving this will take time. He will continue his approach to China while being more proactive.

■ New Possibilities for Japan-U.S. Cooperation

Japan remains one of the United States' most important allies. Japan's participation in the Alaska liquefied natural gas (LNG) pipeline project offers an interesting opportunity for cooperation in the energy sector. This approximately \$40 billion project could strengthen Japan's energy security and serve as a transit point for LNG supplies to the Southeast Asian.

↑ *For the original article, visit [here](#) (Japanese only)*

→*For the original article, visit [here](#) (Japanese only)*

Adam Posen, President of PIIE
Kimberly A. Clausing,
Nonresident Senior Fellow of PIIE
November 28, 2024

■ U.S. Economy (President Posen)

The U.S. is expected to see short-term growth due to rising labor productivity, with the Federal Reserve Board likely to raise interest rates by mid-2025. AI advancement will further drive productivity, supporting long-term high growth.

■ Trade Policy (President Posen)

Trump plans to target China and Mexico with tariff policies, linking trade to immigration and drugs issues. A bill to revoke China's permanent most-favored nation status (PNTR) is under consideration in the congress, and Trump may use it as leverage to secure concessions from China. The U.S. will press allies to purchase weapons and natural gas, increase defense spending, strengthen manufacturing in the U.S., and prevent technology transfer to China. The U.S. must recognize that it is essentially a "plus one". The Trump administration will differentiate U.S. product, including green technologies, from those for other markets. Japan should lead efforts to expand [CPTPP](#) to establish common standards excluding the U.S. and China.

■ Expected impact (Nonresident Senior Fellow Clausing)

If Trump's election pledges are implemented, U.S. growth could suffer, with a projected \$8 trillion rise in the fiscal deficit. His tax cuts, particularly corporate tax reductions, depend on tariff revenues, which won't be enough. Trump views tariffs as both a bargaining tool and fiscal policy, but new tariffs could spark inflation and harm household finances. He also plans to withdraw from the Paris Agreement and boost fossil fuel production, slowing climate efforts. A review of the Inflation Control Act (IRA) is considered, but repeal is unlikely due to foreign investments in U.S. production under the IRA.

Trump's protectionist policies may shift global trade from a multilateral system centered on the WTO to bilateral deals. Japan, South Korea, the UK, and others should cooperate within the CPTPP and WTO frameworks to uphold multilateral trade.

For more information on Keidanren's recent activities, please visit our website:

Keidanren

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Editor: Keidanren USA

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